

SECTION 3: SITE APPROVAL LETTER
 (attached)



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

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August 27, 2013

Rivercrest Condominiums, LLC
1421 Granby Road
Chicopee, MA 01020
Attention: Mr. Leonard P. Marion

**Re: Rivercrest Condominiums
South Hadley
PE- 526
Project Eligibility (Site Approval) Application**

Dear Mr. Marion:

This letter is in response to your application as "Applicant" or "Developer" for a determination of Project Eligibility (Site Approval) pursuant to Massachusetts General Laws Chapter 40B, 760 CMR 56.00 and the Comprehensive Permit Guidelines issued by the Department of Housing and Community Development ("DHCD") (the "Guidelines") (collectively, the "Comprehensive Permit Rules"), under the following programs (the "Programs"):

- Housing Starts Program of the Massachusetts Housing Finance Agency ("MassHousing")
- New England Fund ("NEF") Program of the Federal Home Loan Bank of Boston.

The proposal is to build 60 homeownership units (the "Project") on approximately 10.831 acres of land located on Ferry Street (the "Site") in South Hadley (the "Municipality").

This letter is intended to be a written determination of Project Eligibility ("Site Approval") in accordance with the Comprehensive Permit Rules, establishing fundability by a subsidizing agency under a low or moderate-income housing subsidy program pursuant to the Guidelines which may be found at www.mass.gov/hed/economic/eohed/dhcd (see "Community/Chapter 40B Planning"). To the extent that Project funding is provided by a non-governmental entity such as a Federal Home Loan Bank, this letter is also intended to be a determination of Project Eligibility ("Site Approval") by MassHousing acting as Subsidizing Agency under the Guidelines, including Part V thereof, "Housing Programs In Which Funding Is Provided By Other Than A State Agency."

MassHousing staff has performed an on-site inspection of the Site, which local boards and officials were invited to attend, and has reviewed the pertinent information for the Project submitted by the Applicant, the Municipality and others in accordance with the Comprehensive Permit Rules. As a result of our review, we have made the following findings as required pursuant to 760 CMR 56.04(1) and (4): (a) that the proposed Project appears generally eligible under the requirements of the housing subsidy program, subject to final approval under 760 CMR 56.04(7) ("Final Approval"); (b) that the site of the proposed Project is generally appropriate for residential development taking into consideration the information provided by the Municipality regarding actions previously taken to meet affordable housing needs; (c) that the conceptual project design is generally appropriate for the site on which it is located; (d) that the proposed Project appears financially feasible within the housing market in which it will be situated based on comparable sales; (e) that an initial pro forma, including a land value determination consistent with the Guidelines, has been reviewed, and the Project appears financially feasible and consistent with the Guidelines for cost examination and limitations on profits and distributions on the basis of estimated development costs, and the project is fundable under the Program; (f) that the Applicant would be eligible to apply as a Limited Dividend Organization in connection with an application for financing under the Program; and meets the general eligibility standards of the Program; and (g) that the Applicant controls the site. Each such finding, with supporting reasoning, is set forth in further detail on Attachment 1 hereto.

As noted, MassHousing staff has determined that the Project appears generally eligible under the requirements of the Programs, subject to final review of eligibility and to final approval. In order to maintain eligibility under the Programs the following requirements must be addressed as part of your Final Approval application submission:

1. The Applicant must offer a minimum of 25% of the units for sale to households earning no more than 80% of the area median income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (HUD). The most recent HUD income limits indicate that 80% of the current median family income for a 4-person household for the Municipality is \$64,400. Note, however, that in order to attract a sufficient number of qualified buyers for the affordable units, the initial maximum sales price for the affordable units will be calculated by MassHousing to enable a household earning not more than 70% of area median income of an appropriate size household (appropriate size equals number of bedrooms in the unit plus one) to qualify to purchase the unit under generally accepted mortgage loan underwriting standards.
2. An Affordable Housing Restriction ensuring the units remain affordable to future buyers in perpetuity will govern the affordable units.
3. The Applicant must be a limited dividend organization and agree to limit the profit on the development to not more than 20% of the Project's total development costs as determined by MassHousing.

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4. The Applicant must comply with the Land Value Policy described in section IV (B)(1) of the Guidelines and, if applicable, MassHousing's Acquisition Value Policy. The maximum permissible acquisition value that can be included in the Development Budget approved at Final Approval and at the time of Cost Examination/Cost Certification, for limited dividend purposes is the "As Is" value (determined by the MassHousing commissioned independent appraisal) of \$240,000 plus reasonable and verifiable carrying costs (where permitted by the Guidelines) from the January 23, 2013 date of your Site Approval application.
5. The Applicant must enter into a Regulatory Agreement with MassHousing in the form for the applicable Program, ensuring compliance with the requirements of the Comprehensive Permit Rules and the Program. The legal description of the Site attached to the Regulatory Agreement must be recordable.
6. In order to satisfy the Program requirements, financing for the Project must originate from a subsidizing lender such as MassHousing or a bank that is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Should you choose to finance the Project through a member bank of the FHLBB, financing for a minimum of 25% of the construction costs must be obtained from the NEF program. Evidence of a firm commitment for financing for the Project must be provided during your request to MassHousing for Final Approval. The Regulatory Agreement shall provide that any transfer of all or a portion of the NEF lender's interest (including participations or sale of servicing rights) during the entire term of the construction financing shall be subject to the approval of the Subsidizing Agency.
7. The Project must comply with the Commonwealth's Sustainable Development Principles embraced by DHCD (formerly implemented by MassHousing by its use of the Smart Growth Criteria).

The Municipality was given a thirty (30) day period in which to review the site approval application and submit comments to MassHousing. Based on MassHousing's site and design review, and its review and consideration of comments received from the Municipality, the following issues should be addressed in your application to the Zoning Board of Appeals ("ZBA") for a comprehensive permit and fully explored in the public hearing process prior to submission of your application for Final Approval:

1. Compliance with all statutory and regulatory restrictions and conditions relating to protection of drainage, wetlands, vernal pools and wildlife habitats and nearby conservation areas, if applicable to this Site. You should provide evidence of such compliance prior to the issuance of the building permit for the Project.
2. The Municipality is concerned about the storm water runoff from the property. You have indicated that the drainage system design will be in accordance with DEP's Stormwater

Management Policy and will be maintained on site. Please be prepared to discuss this issue with municipal officials during the public hearing.

3. The Municipality is concerned about the proposed density of this project given the number of proposed units, and the impact it will have on the surrounding neighborhood and the community at large. The 2008 Guidelines referred to by the Municipality have been updated and no longer suggest specific numerical density ranges as appropriate, but rather require a review and analysis of the density of a development on a case by case basis. MassHousing does not impose specific requirements regarding density, nor recommend appropriate density levels to applicants, but does find that the density of the proposed Project is appropriate. Please be prepared to discuss this issue with municipal officials during the public hearing.
4. The Municipality is concerned about the lack of useable open space proposed. During the site visit with MassHousing staff you indicated that some of the extensive wetlands areas may be suitable for creative open space elements such as walking trails, benches and tables, a community garden, and/or a playground. Please be prepared to discuss this issue with municipal officials during the public hearing.
5. The Municipality believes that the conceptual building designs proposed by you are incompatible with the neighborhood. You have indicated that the Town of South Hadley has a wide variety of housing types and styles and that your proposed design is similar to other developments in South Hadley. Please be prepared to discuss this issue with municipal officials during the public hearing.
6. The Municipality requests that you complete a flow metering test to confirm the adequacy of the sewer service line to support the additional capacity required by this development. Please be prepared to discuss this issue with municipal officials during the public hearing.
7. The Municipality requests that you design and build the homes in this project in a way to maximize energy efficiency for future residents. In addition, the Municipality requests that you include off-site sidewalk improvements to facilitate safe pedestrian access to the nearby commercial, community, and public transportation facilities. Please be prepared to discuss these issues with municipal officials during the public hearing.
8. The Municipality is concerned about the topography challenges in the southwest and southeast portions of the site both during construction and after construction. You have indicated that the final site design will take into consideration the steep slopes that area is presented with. Further you have indicated that all slopes will be stabilized during and after construction. Please be prepared to discuss this issue with municipal officials during the public hearing.

9. The Municipality requests that you conduct a comprehensive traffic study to review the impact this development will have on the neighborhood. Please be prepared to discuss this issue with municipal officials during the public hearing.

This approval is expressly limited to the development of no more than 60 homeownership units under the terms of one of the Programs, with not less than 15 of such units restricted as affordable homeownership units for low- and moderate-income persons or families as required under the terms of the Housing Starts Program or the Guidelines, as applicable. It is not a commitment or guarantee of MassHousing or NEF financing and does not constitute a site plan or building design approval. Should you consider, prior to obtaining a comprehensive permit, the use of any other housing subsidy programs, the construction of additional units or a reduction in the size of the Site, you will be required to submit a new site approval application for review by MassHousing. Should you consider a change in tenure type (rental/homeownership) or a change in building type or height, you may be required to submit a new site approval application for review by MassHousing.

This approval will be effective for a period of two years from the date of this letter. Should the applicant not apply for a comprehensive permit within this period or should MassHousing not extend the effective period of this letter in writing, this letter shall be considered to have expired and no longer be in effect. In addition, we are requiring that MassHousing be notified at the following times throughout this two year period: (1) when the applicant applies to the local ZBA for a comprehensive permit, (2) when the ZBA issues a decision and (3) if applicable, when any appeals are filed.

Should a comprehensive permit be issued, please note that prior to (i) commencement of construction of the Project or (ii) issuance of the building permit, the Applicant is required to submit to MassHousing a request for Final Approval of the Project, as it may have been amended, in accordance with the Comprehensive Permit Rules (see 760 CMR 56.04(7) and the Guidelines). Final Approval will not be issued unless MassHousing is able to make the same findings at the time of Final Approval as required at Site Approval.

Further Opportunities for Assistance from MassHousing: Please note that MassHousing may not issue Final Approval if the comprehensive permit contains any conditions that are inconsistent with the regulatory requirements of the applicable housing subsidy program (MassHousing's Housing Starts Program or the New England Fund Program of the FHLBB, for which MassHousing serves as Subsidizing Agency), as reflected in the applicable regulatory documents. Without limitation, we note that if the Comprehensive Permit will contain any local preference conditions, the Guidelines require that the community demonstrate that a local preference is needed and can be implemented in a way that will not have a disparate impact on protected classes. In the interest of providing for an efficient review process and in order to avoid the potential lapse of certain appeal rights, the applicant may wish to submit a "final draft" of the comprehensive permit to MassHousing for review. Applicants who avail themselves of this opportunity may avoid


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significant procedural delays that can result from the need to seek modification of the comprehensive permit after its initial issuance.

Notice Regarding Monitoring Agent: Under current procedures, MassHousing intends to delegate responsibility for monitoring compliance with the minimum affordability requirement to an entity which MassHousing deems qualified to perform the services required. Please contact MassHousing to discuss the selection of a Monitoring Agent.

If you have any questions concerning this letter, please contact Michael Busby at 617-854-1219 or Greg Watson at 617-854-1880.

Sincerely,



Thomas R. Gleason
Executive Director

cc: Mr. Aaron Gornstein, Undersecretary, Department of Housing and Community
Development
Mr. John R. Hine, Chair, South Hadley Board of Selectmen
Mr. Michael Sullivan, South Hadley Town Administrator
Mr. Richard Harris, South Hadley Town Planner

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Attachment 1.

760 CMR 56.04 Project Eligibility: Other Responsibilities of Subsidizing Agency
Section (4) Findings in Determination

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After the close of a 30-day review period and extension, if any, MassHousing hereby makes the following findings, based upon its review of the application, and taking into account information received during the site visit and from written comments:

(a) MassHousing finds that the proposed Project appears generally eligible under the requirements of the housing subsidy program, subject to final approval under 760 CMR 56.04(7);

The Project is eligible under the NEF housing subsidy program and at least 25% of the units will be available to households earning at or below 80% of the Area Median Income. A letter of financial interest was provided by Hampden Bank.

(b) MassHousing finds that the site of the proposed Project is generally appropriate for residential development, taking into consideration information provided by the municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, such as inclusionary zoning, multifamily districts adopted under c.40A, and overlay districts adopted under c.40R, (such finding, with supporting reasoning, to be set forth in reasonable detail);

South Hadley does not have a DHCD Certified Housing Production Plan. South Hadley has 396 Subsidized Housing Inventory (SHI) units (5.6 % of its housing inventory), which is 313 SHI units shy of the 10% SHI threshold.

(c) MassHousing finds that the conceptual project design is generally appropriate for the site on which it is located, taking into consideration factors that may include proposed use, conceptual site plan and building massing, topography, environmental resources, and integration into existing development patterns (such finding, with supporting reasoning, to be set forth in reasonable detail);

Relationship to adjacent building typology

The Developer has proposed building 60 duplex style homes, each with 1,166 square feet of living space. The adjacent building types include a mix of residential housing, many of which are similar in shape and size to what is proposed for this Site.

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Building Massing

The proposed duplex style development will consist of two similar unit designs. The height of the buildings will comply with the current height requirements in South Hadley's Zoning By-Law.

Relationship to adjacent streets/Integration into existing development patterns

The proposed development is similar to most of the multi-family housing developments built in South Hadley. Similar heights and setbacks are found throughout the immediate neighborhood of the proposed development.

Density

The Applicant proposes to build 60 homes on 10.831 acres, 5 buildable acres. The resulting density is 12 units per buildable acre. The density of the proposed project is appropriate for this Site and location.

Site Plan

The site plan proposed by the Applicant takes advantage of the extensive buildable land at the front portion of the site and allows for creative open space elements to be considered for restricted wetland area. The location of the structures will primarily be built in two clustered areas, at the front and middle parts of the site. The design of the duplex buildings is similar in shape and size to that of other duplexes built in South Hadley. The site is convenient to the village center, near shops, offices, restaurants, libraries, churches, public transportation and Mount Holyoke College.

Environmental Resources

The extensive wetlands areas and sloping topography at the southwest and southeast portions of the site may allow for creative open space elements, such as walking trails or resident benches and tables. In addition, a playground area for children or a community garden may take advantage of the available space.

Topography

The parcel's topography is generally level to a depth of 500 feet with elevations ranging from 206 feet to 213 feet above sea level. The topography then starts to slope severely downward in the southwest and southeast portions of the parcel where the elevations dip to a low of 155 feet above sea level.

Proposed use

Based on MassHousing staff's site inspection, discussions, and application review, I find that the Site is suitable for residential use and development.

(d) MassHousing finds that the proposed Project appears financially feasible within the housing market in which it will be situated (based on comparable rentals or sales figures);

The Project appears financially feasible based on a comparable sales letter submitted by realtor

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Karen Peloquin of Coldwell Banker Residential Brokerage of Chicopee.

(e) MassHousing finds that an initial pro forma has been reviewed, including a land valuation determination consistent with the Department's guidelines, and the Project appears financially feasible and consistent with the Department's guidelines for Cost Examination and Limitations on Profits and Distributions (if applicable) on the basis of estimated development costs;

The initial pro forma has been reviewed for the proposed residential use and the Project appears financially feasible with a projected profit margin of 9.35 %. In addition, a third party appraisal commissioned by MassHousing has determined that the "As Is" land value for the Site of the proposed Project is \$240,000.

(f) MassHousing finds that the Applicant is a public agency, a non-profit organization, or a Limited Dividend Organization, and it meets the general eligibility standards of the housing program; and

The Applicant must be organized as a Limited Dividend Organization prior to applying for Final Approval. MassHousing sees no reason this requirement could not be met given information reviewed to date. The Applicant meets the general eligibility standards of the NEF housing subsidy program.

(g) MassHousing finds that the Applicant controls the site, based on evidence that the Applicant or a related entity owns the site, or holds an option or contract to acquire such interest in the site, or has such other interest in the site as is deemed by the Subsidizing Agency to be sufficient to control the site.

The Applicant controls the entire 10.831 acre Site under a Purchase and Sale Agreement.